

March 14, 2005

Mr. Thomas S. Tycz
Chief, Satellite Division
International Bureau
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, DC 20554

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Federal Communications Commission
Office of Secretary

Re: IB Docket No. 95-91; SAT-MOD 20040212-00017; SAT-RPL-20040212-00018; SAT-RPL-20040212-00019; SAT-AMEND-97;
10/11-DSS-P-9312/15/92; 26/27-DSS-LA-931/15/93;
83/83-SAT-AMEND-953/10/95

Dear Mr. Tycz:

On January 28, 2005, you asked XM Radio Inc. ("XM") and Sirius Satellite Radio Inc. ("Sirius") to update you on their activities related to receiver design.¹ XM and Sirius jointly submit this letter in response to your request, and reconfirm their compliance with Section 25.144(a)(3)(ii) of the Commission's rules by including interoperable radios in their respective system designs.

XM and Sirius have designed and licensed receiver systems that share a common head unit, antenna, and wiring harness, while other entities continue to be responsible for the manufacture and distribution of satellite radios. Several aftermarket and OEM radio manufacturers now produce head units that operate with the receiver boxes of either service provider. Some head units are also branded and marketed as "SAT Ready" to denote their ability to work with both systems. At least one automaker factory installs head units and antennas that are compatible with both XM and Sirius' systems. This configuration allows the customer to purchase a trunk-mounted box for either satellite radio provider without disturbing the rest of the components. This unit can be swapped at any time for a trunk-mounted box from the other satellite radio provider.

In February 2000, XM and Sirius signed a joint development agreement to develop interoperable technologies, and cross-licensed to each other their respective intellectual property and technology to advance the joint venture. This joint venture has been tasked with combining XM's and Sirius' proprietary chipsets into a compact and efficient device capable of receiving both services. The joint venture has been staffed with engineering personnel that are independent of XM and Sirius. To date, the

¹ See Letter from Thomas S. Tycz to Lon C. Levin, XM Radio Inc. (January 28, 2005); Letter from Thomas S. Tycz to Patrick L. Donnelly, Sirius Satellite Radio Inc. (January 28, 2005).

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companies have spent nearly \$5,000,000 to fund the joint venture and expect to spend more in the future. Both Sirius and XM are optimistic that, at a minimum, a prototype for this type of interoperable radio (i.e., a receiver using a common antenna, a common RF tuner, and two baseband modules, one for XM and one for Sirius) will be completed by the joint venture in 2005. Upon completion, and subject to successful performance and manufacturability testing, we believe this prototype could be manufactured.

Nevertheless, the market will ultimately determine the success of these products. Competition for the attention of consumers in automobiles is not limited to SDARS licensees. AM, FM, HD radio, cassette decks, CD players, navigation systems, DVD players, iPod and other MP3 players all compete for space in automobile head units. Soon wireless broadband services and cell phones may further crowd this busy space. All of these devices affect the quality, quantity, and price points that manufacturers carefully assess before introducing a product.

In the four and a half years that have passed since XM's and Sirius' previous submission, the two companies have invested billions of dollars, and have been extraordinarily successful in fulfilling the Commission's vision of providing Americans with "continuous nationwide radio programming" that will "increase the variety of programming available to the listening public." Ahead of the Commission's milestones, each company launched satellites, licensed technology to manufacturers, and began offering over 120 channels of digital music, news, sports, entertainment, traffic and weather. The new service has been well received in the marketplace and has been a positive development for consumers, the consumer electronics industry, the music and artist community, and the United States commercial satellite industry.

That success is due in significant part to the Commission's decision not to mandate the use of a particular technology. The freedom to design systems unbounded by government-imposed mandates has allowed each company to get to market quickly and continue to innovate. The satellite radio industry has not only developed the expected satellite receiver units which operate with car radios, but has also pioneered the development of whole new categories of audio products, including satellite radio "plug and play" devices, standalone home stereo component systems, integrated AM/FM/Satellite receivers, portable/wearable satellite radio devices with integrated antennas and "time shifted" recording capability, and various ancillary telematics and data/navigation services. All of this has been done at prices that have made the equipment increasingly affordable.

Simply put, Sirius and XM have invested considerable time, effort and money designing, launching and operating systems compliant with the Commission's rules, including an interoperable radio design offered to manufacturers. The companies are continuing those efforts to streamline and improve that design. The availability of

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interoperable radios, however, will depend in large part on factors outside of the control of either XM or Sirius, including consumer demand for interoperability and the willingness of manufacturers to manufacture, distribute, market and sell interoperable radios after carefully weighing the integration, qualification, costs and efficiency considerations.

Please contact the undersigned if you have any further questions.

Very truly yours,



William Bailey
Senior Vice President
Regulatory and Government Affairs
XM Radio Inc.
1500 Eckington Place, NE
Washington, DC 20002
202 380 4000



Patrick L. Donnelly
Executive Vice President and General Counsel
Sirius Satellite Radio Inc.
1221 Avenue of the Americas
New York, NY 10020
212 584 5100

cc: Office of the Secretary
JoAnn Lucanik
Stephen Duall